

Message Text

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PAGE 01 STATE 179883

20

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AFR/CWA-MR. ELLIS (INFO)

S/S - MR. BARNES

----- 057341

R 110041Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY ACCRA

C O N F I D E N T I A L STATE 179883

E.O. 11652: GDS

TAGS: BGEN, EMIN, PFOR, GH

SUBJ: UNION CARBIDE NEGOTIATIONS WITH GOG

REF: A) ACCRA 5631, B) ACCRA 5630, C) STATE 177684

1. WAIT AND OTHER UCC REPRESENTATIVES MET SEPT 10 WITH
DEPUTY ASSISTANT SECRETARY ROBERT SMITH AND OTHERS FROM
STATE AND TREASURY TO REVIEW UCC'S NEGOTIATIONS WITH GOG.
UCC DISTRIBUTED COPIES OF O'MARA-APPIAH LETTER AND PRO-
POSED WAIT TALKING POINTS OUTLINED REFTEL C.

2. IN DESCRIBING COMPROMISE PROPOSAL EMBODIED WAIT TALKING
POINTS, UCC REPS SAID UCC IS PREPARED TO QUOTE INVEST UNQTE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 179883

ALL BLOCKED CEDIS, EXCEPT DOLS 600,000 EQUIVALENT, WHICH

AMC HAS RECEIVED PERMISSION REPATRIATE WHEN FOREIGN EXCHANGE IS AVAILABLE TO BOG. GOG WOULD ACQUIRE 55 PER CENT OF BOOK VALUE IN AMC AT 30 PER CENT BOOK VALUE OF EQUIPMENT AND INVENTORY ONLY, OR APPROXIMATELY DOLS 500,000. NEW INVESTMENT FINANCED BY UCC WOULD BE SELECTED AND CONTROLLED BY GOG, WITH LITTLE BESIDE NOMINAL POSSIBILITY UCC EVER WOULD RECEIVE ANY EARNINGS FROM IT. THUS, UCC NOW CLOSE TO APPIAH'S JULY SUGGESTION THAT SETTLEMENT POSSIBLE IF UCC PREPARED WRITE OFF BLOCKED CEDIS AND GIVE GOG 55 PER CENT INTEREST IN AMC AT NO COST TO GOG. WAIT DID NOTE THAT VOLUME BLOCKED CEDIS HAS DROPPED FOLLOWING SUBSTANTIAL TAX PAYMENTS AND WOULD DROP FURTHER TO ABOUT SIX MILLION IF AMC PROFITS FOR PAST YEAR TO BE TURNED OVER TO SUCCESSOR

COMPANY, AS UCC HAS OFFERED.

3. SMITH INFORMED WAIT OF GOG-PHIBRO CONTRACT. WAIT AWARE NEGOTIATIONS UNDERWAY AND NOT SURPRISED LEARN OF CONTRACT. HE BELIEVES ANOTHER SOON MAY BE SIGNED WITH JAPANESE FIRM .

4. WAIT EXPRESSED PERSONAL PESSIMISM AT DIVERTING GOG FROM "ILLOGICAL" COURSE OF ACTION LEADING TO SUCCESSFUL ACTION AGAINST UCC IN GHANAIAI COURTS. HE SAID SENIOR OFFICIALS IN UCC INCLINED CUT LOSSES AND GET OUT OF GHANA, PARTICULARLY AS DELAYS IN PAYMENTS FROM GHANAIAI SUBSID-IARIES ARE INCREASING AMOUNT UCC'S OUTSTANDING INVESTMENT. WAIT REPEATED THAT UCC WILL TAKE COURT ACTION AGAINST THOSE SELLING NSUTA ORE, IF THERE IS AN IMPASSE WITH GOG.

5. WAIT SAID UCC REMAINS PREPARED MAKE ANOTHER EFFORT REACH SETTLEMENT WITH GOG ON BASIS PROPOSAL CONTAINED TALKING POINTS. SMITH ENCOURAGED UCC TO PERSIST AND SAID EMBASSY ACCRA WOULD BE INSTRUCTED SUPPORT A REQUEST BY O'MARA FOR MEETING WITH ACHEAMPONG. SMITH CAUTIONED UCC AGAINST USE OF BELLICOSE TONE IN TALKING WITH ACHEAMPONG. WHILE INFORMING WAIT THAT ACHEAMPONG GENERALLY AWARE OF APPIAH'S TACTICS AND LIKELY BACK HIM UP, SMITH OPINED THAT A DISPASSIONATE DESCRIPTION BY O'MARA OF UCC'S FRUS-TRATION AND OF THE CONSEQUENCES FOR GHANA'S INVESTMENT CLIMATE OF A CONFRONTATION WITH UCC MIGHT HAVE SALUTARY

CONFIDENTIAL

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PAGE 03 STATE 179883

EFFECT.

6. WHEN WAIT INQUIRED WHAT FURTHER SUPPORT UCC COULD EX-PECT FROM USG, SMITH REMINDED HIM OF UCC REQUEST DEPART-MENT AND EMBASSY STAY APART FROM NEGOTIATIONS. WAIT ACKNOWLEDGED THIS AND ALSO THE LIMITED LEVERAGE OF EMBASSY AND WISDOM IN REFRAINING FROM SHOOTING QTE ONLY ARROW IN QUIVER UNQTE PREMATURELY. AFTER REVIEW OF EFFECT WHICH

UNCOMPENSATED EXPROPRIATION COULD HAVE ON AID, AS WELL AS DEBT RESCHEDULING, SMITH POINTED OUT THAT USG SANCTIONS COULD BE IMPOSED ONLY AFTER USG WAS SATISFIED GOG CLAIMS AGAINST UCC WERE INVALID AND THAT THERE WAS NO FORWARD MOVEMENT LIKELY TOWARD A SETTLEMENT ON COMPENSATION. WAIT RESPONDED THAT UCC IS NOT REQUESTING FURTHER SUPPORT FROM USG AT PRESENT, ONLY AN INDICATION THAT USG CONSIDERS SITUATION SERIOUS. WAIT EXPRESSED SATISFACTION WITH USG'S ATTITUDE.

7. IN BRIEF DISCUSSION OF ARBITRATION, UCC LAWYERS SAID GOG REGARDS DISPUTE AS INTERNAL AND THEREFORE IS UNWILLING USE ICSID. UCC UNWILLING USE GHANAIAAN ARBITRATION PROCEDURES, PARTIALLY BECAUSE OF EXPENSE WHICH COULD BE EN-

TAILED IN DEFENDING ITSELF AGAINST CHARGES REGARDING ITS ACTIVITIES EXTENDING BACK MORE THAN 10 YEARS.

8. IN CONCLUSION, IT WAS AGREED THAT UCC NEW YORK WILL NOTIFY DEPARTMENT AS SOON AS QUASHIE-IDUN IS INSTRUCTED REQUEST APPOINTMENT WITH ACHEAMPONG FOR O'MARA PROBABLY WITHIN TWO DAYS. EMBASSY THEN WOULD MAKE APPROACHES TO GOG OFFICIALS INTENDED SUPPORT THIS REQUEST BY STRESSING THAT O'MARA PREPARED MAKE SERIOUS PROPOSAL FOR SETTLEMENT AND THAT BILATERAL ECONOMIC RELATIONS CAN BE THREATENED IF THERE IS AN IMPASSE WITH UCC. MORE PRECISE INSTRUCTIONS WILL BE CABLED EMBASSY WHEN UCC ADVISES THAT O'MARA APPOINTMENT REQUESTED. IN MEANWHILE, UCC WILL INSTRUCT QUASHIE-IDUN TO GIVE APPIAH A WRITTEN OUTLINE OF UCC'S PROPOSAL, SO IT WILL BE AVAILABLE TO ACHEAMPONG PRIOR O'MARA MEETING.

9. IN FINAL NOTE, UCC LAWYER STRESSED THEIR SENSE OF CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 179883

URGENCY, POINTING OUT THAT CONTINUING INCREASE IN MANGANESE PRICES REINFORCING GOG'S BELIEF THAT IT HAD NOT BEEN RECEIVING FAIR RETURN FROM AMC. RUSH

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